Wickes Group plc - Interim Results 2023
for the 26 week period to 1 July 2023

Strategy continues to deliver, with positive first half LFL sales; full year expectations maintained

Financial Highlights

- Revenue growth of 0.7% to £827.7m (H1 2022 £822.3m) driven by the sales uplift in DIFM[1]
    - Core LFL -0.8%[2] with growth in the second quarter as weather patterns normalised;
    - DIFM delivered LFL sales up 5.8%[2] as we continue to work through the elevated order book and with ongoing growth in ordered sales
- £34.8m adjusted profit before tax and SaaS IT investment costs[3] (H1 2022 re-presented £41.3m[4]), with cost inflation exceeding revenue growth
- Adjusted PBT £31.1m after £3.7m of SaaS IT investment costs[3] expensed as required by IAS38
- Reported profit before tax of £21.1m primarily reflecting IT separation costs (H1 2022 £33.5m)
- Cash position of £190.0m (H1 2022 £166.5m), improved from the year end position of £99.5m reflecting the seasonal working capital cycle in the business
- Interim dividend declared of 3.6p (H1 2022 3.6p), reflecting our intention to maintain the same full year cash dividend as FY 2022
- £25m share buyback programme under way

Operational and Strategic Highlights

- Our strategy continues to deliver with growth levers all supporting further market share gains[5]
- Continued strong growth in our TradePro loyalty scheme, with 65,000 new customers signing up in the first half, and a period end base of 811,000
- Launch of Wickes Lifestyle Kitchens, with a free design service, to capture a larger share of the mass market
- Improved click & collect capacity and service levels drive meaningful channel shift back to stores, reducing distribution costs
- Six refits in the first half, with 11 in total planned for the full year; ROIC in line with plan at >25%
- Three store openings in the second half, including Chelmsford in July, as the opening programme accelerates and we look to open around 20 new stores over five years
- Good progress on productivity gains, offsetting cost inflation with the exception of energy costs, as previously outlined
- Updated capital allocation policy announced in July, with a strong balance sheet supporting investment in growth levers and enhanced shareholder returns

Current Trading & Outlook

Trading in July and August has been in line with our expectations, and we continue to expect full year adjusted profit before tax in line with market consensus (£45-48m after the impact of SaaS IT investment costs). Our next trading update for the third quarter is scheduled for the end of October.

David Wood, Chief Executive, commented:

"This was another positive period for the business, underpinned by the strength of our balanced business model and outstanding customer service delivered by our colleagues. We achieved a sales uplift and strong conversion rates in DIFM, while delivering another strong performance in Local Trade due to our market leading value on the lines that matter most.

"As we head into the Autumn, we are well-stocked with our extensive range of energy-saving products, as we look to support our customers in insulating their homes. While we remain mindful of the external environment, we are seeing customers turn to Wickes for our great value proposition. We are well on track for the remainder of the year and we have the right strategy in place to make further market share gains within the large home improvement sector."

1 Do It For Me, our kitchen and bathroom showroom business
2 For a definition of LFL sales, see note 3 of the interim financial statements
3 For a reconciliation of this profit measure, and definition of these costs, see note 13 of the interim financial statements
4 For an explanation of the re-presentation, see note 2 of the interim financial statements
5 Source: GfK GB Point of Sales: DIY Total Store (Leader Panel) Reporting, year to date July 2023

Summary of half year financial results

£m	26 weeks to 1 July 2023	26 weeks to 2 July 2022[6]	Change
Revenue *Core* *DIFM*	**827.7** 626.8 200.9	**822.3** *632.6* *189.7*	**+0.7%** -0.9% +5.9%
Gross profit *Gross profit %*	**297.3** *35.9%*	**292.6** *35.6%*	**+1.6%** *+30bp*
Adjusted PBT[7]	**31.1**	**41.3**	**-24.7%**
Reported profit before tax	**21.1**	**33.5**	**-37.0%**
Add back: adjusting items	***(10.0)***	***(7.8)***	***+28.2%***
Add back: SaaS IT costs	***(3.7)***	***0.0***	***na***
Adjusted profit before tax and SaaS IT costs[7]	**34.8**	**41.3**	**-15.7%**

£m	26 weeks to 1 July 2023	26 weeks to 2 July 2022[1]	Change
Adjusted basic earnings per share[7]	**9.4p**	**13.2p**	**-28.8%**
Basic earnings per share	**6.3p**	**10.7p**	**-41.1%**
Interim Dividend	**3.6p**	**3.6p**	n/c

6 Adjusted profit before tax and Adjusted basic earnings per share have been re-presented as disclosed in note 2 and note 8 respectively.

7 Adjusted measures represent results on an IFRS basis and exclude adjusting items which comprise significant restructurings, significant write downs or impairments of current and non-current assets, the costs of separating the business from Travis Perkins Plc's IT systems, the impact of fair value movements on derivatives through the profit and loss statement, the effect of changes in corporation tax rates on deferred tax balances, and in FY2022 a reclaim of overpaid VAT relating to prior years. (See note 2 of the interim financial statements for a detailed explanation of these items).

Investor & Analyst meeting

A webcast for investors and analysts will be available today at 8.30am (UK time), followed by a live Q & A with the Wickes management team. The webcast can be accessed at: https://brrmedia.news/WIX_HY23

Dial in: +44 (0) 33 0551 0200
Password (if prompted): Wickes Half Year

A recording of the webcast will be available on the Wickes Group plc website later today: https://wickesplc.co.uk

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About Wickes

Wickes is a digitally-led, service-enabled home improvement retailer, delivering choice, convenience, value and best-in-class service to customers across the United Kingdom making it well placed to outperform its growing markets. In response to gradual structural shifts in its markets over recent years, Wickes has a balanced business focusing on three key customer journeys - Local Trade, DIY (together "Core") and Do-it-for-me ("DIFM").

Wickes operates from its network of 229 right-sized stores, which support nationwide fulfilment from convenient locations throughout the United Kingdom, and through its digital channels including its website, TradePro mobile app for trade members, and Wickes DIY app. These digital channels allow customers to research and order an extended range of Wickes products and services, arrange virtual and in-person design consultations, and organise convenient home delivery or click-and-collect.

Forward looking statements

This announcement may include statements that are, or may be deemed to be, forward-looking statements. By their nature forward-looking statements involve opportunity, risk and uncertainty since they relate to future events and circumstances, and actual results may differ materially. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement.

Business review

Wickes delivered a resilient sales performance in the first half, benefitting from its market-leading value proposition and underpinned by its uniquely balanced business model. Despite a challenging market backdrop, we were pleased to report an increase in revenue with further strong performances from our Local Trade and DIFM businesses. DIY sales remained down year-on-year, although the pace of decline moderated in the second quarter. As expected, profits declined in the half, with cost inflation and investment costs (especially in IT) not fully offset by efficiency gains.

Market

UK home improvement remains a large and attractive market, of which we have a relatively small share. Over time, this market has grown broadly in line with GDP, although Wickes has a long track record of market share gains as a result of its business model, digital investment and focus on customer service. Market share is again ahead in the year to date (source: GfK) despite the strength of the comparable period in 2022, when a number of storms were very beneficial to our sales performance.

In the first half of the year, the market continued to be affected by pressure on disposable income, rising mortgage rates and a decline in the number of housing transactions. However, it is important to note that only around one third of UK households have a mortgage, with the remainder either owned outright or privately / socially rented. The level of new home sales has declined, although we have minimal exposure to this sub-sector.

While the impact of higher mortgage rates may take some time to work through, other pressures on disposable income, such as petrol and energy, have started to unwind, while the pace of food price inflation has slowed from very high levels. Our latest Mood of the Nation survey shows only a moderate slowing of demand for home improvement, while order books for the trade remain strong, with over 20% of those surveyed having order books for 12 months or more.

Looking further ahead, we believe that market fundamentals remain strong. Many businesses have retained or fully incorporated hybrid working practices, increasing the dwell time at home, fuelling further desire for homeowners and tenants to invest in their properties. Household formation looks set to continue growing, underpinned by high employment levels and a rising population. Despite the recent decline in energy prices, work is also likely to continue to decarbonise the UK housing stock, which will further support project work in the home.

The homeowning demographic into which our Local Trade and DIFM end propositions face also leave us well placed to continue to take share, as do our credentials for value, quality and convenience. Although as yet we have seen little sign of trading down or rising own label participation, our surveys tell us that customers are becoming more discerning on price and are shopping around more. We believe that our value credentials, the strength of the Wickes brand, our simple and clear pricing policy, alongside our 10% flat rate discount to all TradePro members, stand us in good stead if market conditions remain challenging.

The strength of our digital offer is reflected in our strategically important TradePro customer base, which has increased by 65,000 since the start of the year taking the period end total to 811,000. Sales through TradePro continue to grow strongly, and we are exploring a number of initiatives to drive basket size and frequency further.

Operational progress

We have made good progress in the first half developing and extending our growth levers. These all contribute to an improvement in our products and services, making life easier for our customers and helping them through challenging economic conditions. This is reflected in a further increase in market share in the year to date. Looking ahead, the investment we are making behind these growth levers will underpin further progress over the next few years.

LFL sales in the first half were ahead by 0.7% with growth in Core sales in the second quarter as weather conditions normalised. Local Trade sales continue to grow strongly, helped by the growth in our TradePro customer base. DIFM LFL sales were ahead by 5.8%, as we continue to work through the elevated order book.

Within Core, our operating model continues to evolve making it easier for our customers to shop when and where they want. A combination of store refits and refreshes, plus our investment in IT systems, has allowed us to improve click and collect capacity and collection speed. This has proved popular with both Local Trade and DIY customers, with click & collect sales rising by 5.6% in the half. There may also have been some benefit to self-serve sales, which have also grown within the mix.

The popularity of click & collect, together with changes in thresholds and delivery charges instigated last summer, has seen the proportion of home delivery sales decline. This has been beneficial for our cost to serve, reducing distribution costs which are taken against gross margin. Improved click & collect service levels will hopefully see these trends continue.

The normalisation of volumes following the COVID period has also allowed us to reduce other distribution costs, both in terms of units shipped and also eliminating overflow capacity which is no longer required. This should continue to benefit the second half, although on a more limited basis as volume declines are now abating in line with lower inflation. Further savings have been generated from the outsourcing of some additional distribution functions.

Price inflation was around 7% in the first half, slowing from 9% in Q1 to 4% in Q2. Much of the decline has been driven by lower commodity costs, for example with timber - which accounts for up to one third of our total sales - now being down significantly year-on-year. In contrast, other products such as cement and insulation continue to inflate, reflecting energy and wage costs in supply chains. Into the second half, inflation in these categories should start to decline, in line with energy costs, and overall we would expect retail selling price inflation in the second half to continue to be low single digits.

Our volume performance in Core continues to improve, with a 6% decline in the first half versus a 15% decline in FY2022. While this makes volume-related cost savings more difficult to achieve, we have made good progress in offsetting some of the inflationary cost pressures which we highlighted at the full year results.

In the first half, cost inflation excluding utilities was around £13m, much of which related to increases in the national minimum wage (NMW). This will also affect the second half. Despite a reduction in energy usage from energy-saving measures, there was also a £2.7m increase in utility bills as a result of the ending of our fixed term contract at the end of March. We continue to expect a year-on-year increase of c£6m in the second half as we have bought forward our requirements for the remainder of the year.

We have made good progress as expected in productivity gains, offsetting all the inflationary pressures with the exception of energy. Savings have accrued in distribution (as outlined above), store wages costs and improved marketing efficiency. We have similar plans in place for the second half of the year.

As expected, growth investment for the full year will be around £5m, of which £2.2m was expensed in the first half. Much of this relates to additional IT investment, especially headcount to underpin the shift to SaaS platforms and to develop new functionality across the business.

Growth Drivers

1. Winning for Trade

Our TradePro membership scheme continued to show strong momentum in the period. We enrolled 65,000 new members in the period, taking the total membership to 811,000. Once again, there was double digit year-on-year growth in TradePro sales. As was the case during 2022, local trade customers are turning to us for low prices, quality branded and own brand products, excellent availability, and seamless service.

Our 30-minute click & collect offer, and higher order handling capacity as stores are refitted and refreshed, continue to gain traction. We are seeing a channel shift away from home and site delivery towards in-store collection. Although some of this is likely to have been influenced by modest changes to delivery thresholds and delivery charges last year, we believe the changes we are making are also driving this trend, which is also lowering our cost to serve.

Our latest Mood of the Nation survey (August) shows that around half of respondents have an order pipeline of over 3 months, with over 20% a pipeline of over 12 months. These figures are stable compared with the position reported in March. The end-user of trade professionals services - older, wealthier homeowners - are likely to be more resilient to current pressures facing the consumer, especially from rising mortgage rates. The survey also highlights that cancellation rates for the trade are unchanged from January.

Although lower levels of price inflation are slowly feeding through to our Mood of the Nation survey, around half of those surveyed still view price increases as “significant”. This search for value is likely to be one of the driving forces of TradePro growth.

Looking ahead, we have plans to evolve the TradePro offer to include additional functionality and new services. These will be supported by the investment in our IT capabilities. We continue to see significant upside in terms of share of wallet, and will focus further on loyalty and engagement with our new suite of services.

2. Accelerating DIFM

We are pleased to report another increase in delivered DIFM LFL sales, with ordered sales also ahead. Delivered sales increased by 5.8% as we continued to work successfully through the elevated order book. LFL ordered sales were up by 1.8%, with record attachment rates of installation and further growth in bathrooms. Lower leads and higher conversion may reflect different pressures across segments of the customer base, but our stronger conversion rate could support growth as and when the market recovers.

During the period we successfully rebranded our kitchen offer between Bespoke and Lifestyle. Our new Lifestyle ranges build on our successful ready-to-fit-kitchen offer (RTFT), but ranges have been extended, point of sale has improved, and we are offering a free design service. Lifestyle Kitchens allow us to access the mass market with an added-value design service; in the past, customers unable to afford our bespoke service may have shopped elsewhere. Sales of Lifestyle Kitchens with a design service are included within DIFM sales; those without a design service remain in Core sales.

New ranges continue to perform well. Eight new ranges were launched in Lifestyle Kitchens and eight in our Bespoke range. The latter was supplemented by new ranges in worktops, appliances, sinks and taps.

Our bathroom business continues to thrive, with 300 new product launches including an expanded range of top brands. Wickes is now the most prominent bathroom retailer in the UK (source: Salience Search Marketing survey of search and social media rankings).

Our installer network now has over 3000 teams of independent contractors. In addition to facilitating the build out of the order book, installation participation on new orders is now at record levels, driving up the average order value.

3. DIY Category Wins

The DIY market has normalised from its Covid highs, with additional pressure from the external environment. More DIY shoppers are likely to have a mortgage, compared with those using the local trade to complete a project.

The state of the market is reflected in our latest Barometer Survey (April 2023, as this survey runs semi-annually) which shows that intention to undertake projects remains high, but with smaller projects, such as decorating and shelving. This may be a helpful signal for when external pressures subside.

Wickes has responded to consumer trends through the launch of new ranges across painting, decorating and tiling, as well as energy saving products such as lighting and insulation. Service improvements to click & collect have also driven DIY uptake through this channel, with sales up by over 5% on the first half last year. As with local trade, this is helpful for our cost to serve.

4. Digital developments

We have made further significant progress in our digital capabilities in the first half, with the proportion of sales originating online rising further, web sessions gaining market share, and the launch of Lifestyle Kitchens with a digital design service. We also launched a new Customer Experience Centre to provide improved service levels for Bespoke Kitchen customers.

Digital and marketing support continues to drive strong growth in our TradePro customer base, as outlined above, and our 30 minute collection window is gaining traction both with local trade and DIY customers. We launched our Klarna credit proposition, driving new customers and higher average transaction values (ATVs).

Looking ahead, we will use the successful combination of our digital, IT and marketing strengths to continue to broaden the appeal of our TradePro scheme to increase basket size and share of wallet.

5. Growing our estate of new format stores

Our successful store refit programme continued with six refits in the first half at Shipley, Blackpool, Haverfordwest, Stafford, Nuneaton and Braintree. Sales uplifts remain strong, driven by an uplift in DIFM of over 50%. Our refitted stores also benefit from an improved order fulfilment layout which increases click & collect capacity. This is clearly resonating with customers with click & collect participation increasing across the chain.

Despite the impact of higher build costs, store investments continue to deliver a ROIC of over 25%. A further five refits are planned for the second half.

Our new store opening programme is gathering pace. One new store opened in July at Chelmsford, and we expect two further openings at Widnes and Torquay in the second half. We remain confident in the opportunity to expand our proven model into 20 new locations over a five-year period.

6. Enhanced store service model

Our unique “4C” service model is designed to meet all our customers’ needs through four areas of the store: DIFM, self serve, assisted selling and online order fulfilment. This offers a seamless shopping experience to our customers, and enables us to use our digital capabilities to improve service levels and operational efficiency. All four of our measures of customer satisfaction are up year-on-year.

Our new digital picking app, combined with reconfiguration of picking areas within the store, has allowed us to reduce our click & collect service time from 60 to 30 minutes. This has been reflected in the outperformance of click & collect sales, with some stores previously being capacity-constrained.

OLI (online in-store) sales also performed strongly in the first half, with machine learning helping to drive basket values and customers benefiting from efficient click & collect or home delivery options.

IT separation

The separation process from our previous parent company Travis Perkins plc has now been successfully completed. The adjusting item charge during the first half was £7.4m. Following completion, we will no longer be making any payments for services to Travis Perkins, but will instead be bearing an equivalent P&L charge relating to our own ongoing internal and external costs of IT support.

Responsible Business Strategy

At Wickes we're building a business we can be proud of, and our Responsible Business Strategy, Built to Last, sets out how we will achieve this. We continue to embed our strategy into the business, and deliver our targets to address our main social and environmental impacts.

Homes

In line with our purpose to make the nation feel house proud, we want to help customers feel proud of their homes for saving energy and protecting the environment. To that end, we are focused on providing customers with a broad range of sustainable and energy efficient products and services to achieve long term decarbonisation targets and short term relief on the cost of living.

In June, we announced our new partnership with solar panel and battery storage installation platform, 'MakeMyHouseGreen.com'. Customers visiting our website can now click through directly to MakeMyHouseGreen.com where they will be offered a complete service from helping to choose the right solar panel system using data and analytics, to final installation, with MakeMyHouseGreen's network of trusted installers. Once installed, customers are then able to track their solar system output and savings.

People

Inclusion and diversity remains central to our people strategy. We have set ourselves gender diversity targets which are linked to the annual bonus for our Executives. We have also announced that we are the first retailer to partner with Flair Impact, a racial equity technology company to undertake an anti-racism survey amongst our 8,000 colleagues.

We are committed to building skills in our local communities and empowering our colleagues to further their development. We have set a target to offer and support 200 Early Career places each year for the next three years. We are extremely proud to have made the RateMyApprenticeship's Best 100 Apprenticeship employers for 2023.

In April 2023, we launched our new 2-year charity partnership with The Brain Tumour Charity, after a three-month long process of colleague nominations and voting. Through colleague-led fundraising we have committed to raise £2 million for the charity over the two year partnership. In the first 3 months of the partnership, our colleagues and customers have raised £275,000.

Environment

Towards the end of last year we announced that our near-term Science Based Targets had been validated by the Science Based Targets initiative (SBTi). We are already delivering against our targets.

- In April 2023, we switched to a 100% renewable electricity contract across our entire estate of 230 stores, distribution centres and support office. This will go a long way to helping us to achieve our target to reduce absolute scope 1 and 2 emissions by 42% by 2030 from a 2021 base year.
- 98% of our carbon footprint is from indirect activities across our value chain. We are collaborating with our top suppliers to achieve a target of 45% of our suppliers (by emissions from purchased goods and services) having science-based targets by 2027. We are also working with our suppliers to reduce scope 3 greenhouse gas (GHG) emissions from the use of sold products by 42% by 2030 (from a 2021 base year).

We continue to be a supporter of the British Retail Consortium's Climate Action Roadmap, committing to work with the retail industry to achieve net zero by 2040.

Timber is a significant part of our business representing 40% of our revenue. This year we have published our first Timber Sourcing Policy. We have also submitted to the CDP Timber category alongside the Climate Change CDP category to understand how we are performing and what more we can do.

Financial review

Our performance during the period was in line with expectations.

We are pleased to report another period of sales growth in challenging market conditions. LFL sales for the period were ahead by 0.7% with good growth in DIFM sales and an improving performance in Core sales in the second quarter as weather patterns normalised.

Adjusted profit before tax and before SaaS IT investment costs declined by 15.7% to £34.8m. With the majority of cost inflation offset by productivity gains, the decline primarily reflects the increase in energy and investment costs. SaaS IT investment costs were £3.7m in the period, resulting in adjusted profit before tax declining 24.7% to £31.1m.

Statutory profit before tax in the first half also declined from £33.5m to £21.1m. This reflected the reduction in adjusted pre-tax profit outlined above, plus higher adjusting items year on year. Adjusting items comprised IT separation costs (£7.4m in H1 2023 compared with £12.1m in H1 2022) and unrealised losses / gains relating to FX derivatives (£2.6m loss vs £4.3m gain in H1 2022).

The business continued to generate cash with period end net cash of £190.0m (HY2022 £166.5m), again reflecting seasonal working capital movements.

Revenue

Revenue for the 26 weeks to 1 July 2023 was £827.7m, an increase of 0.7% on the prior year. Like-for-like sales were also up by 0.7%[2], with incremental sales from the new Bolton store which opened in the second half of 2022 offset by two closures in the first half of 2023. Our volume performance is also improving, with a 6% decline in the first half compared with a decline of 15% in FY2022.

Core LFL revenue declined by 0.8%[2] in the first half. The first quarter was down 4.4%, with tough comps from the storms in the comparable period in 2022, which drove strong sales in fencing and related products, together with wet weather in February and March of 2023. There was a recovery in the second quarter with LFL sales growth of 2.3%, in turn helped by more seasonal weather in May. The overall first half performance is thus the best indicator of current market conditions.

Within Core, TradePro sales increased by over 10%, reflecting healthy order pipelines for trade professionals. DIY sales have been on an improving trend through the period, although remain lower year-on-year.

Selling price inflation continued to moderate over the period, in line with our supply chain inflation. Selling price inflation was 9% in the first quarter, and 4% in the second. Our key consideration remains to be competitive across a basket of popular items, with prices on average 2-3% below peers before the 10% TradePro discount.

Delivered DIFM LFL revenue increased by 5.8% in the first half. This primarily reflected the ongoing successful build out of the order book, but also moderately higher orders by value in the second half of FY2022 and into the current year. As reported previously, we are seeing a lower number of leads but higher conversion rates, reflecting different levels of confidence across UK households.

Gross profit

Gross profit is calculated by taking the gross margin on products sold and deducting distribution costs. Gross profit for the first half was £297.3m, up from £292.6m last year. Gross profit % increased by 30bp to 35.9%, reversing the trend seen in prior years.

Our product gross margin was moderately down year on year. In Core, this reflected some impact from inflation pass through, although at lower levels of inflation there is more opportunity to protect percentage margin. In addition, there was a modest mix impact from a higher proportion of TradePro sales.

Lower distribution costs (recognised within gross profit) more than offset a lower product margin and mix. There were volume-related savings, plus specific benefits from consolidation within our supply chain and also from a recovery in the proportion of sales through stores. The latter may reflect in part some final post-covid normalisation of shopping behaviour, but our efforts to improve the scale and efficiency of our click & collect operations are likely to have seen a swing from home / site delivery to click & collect. This is positive for our cost to serve.

Adjusted operating profit

Adjusted operating profit was £42.0m, down 25.4% on the £56.3m reported in the first half last year. Of the £14.3m decline, the impact of SaaS IT investment (see below) was £3.7m.

Our adjusted operating profit margin was 5.1%, down from 6.8% last year. Gross margin, inclusive of lower distribution costs, was up by 30bp, and the cost/sales ratio deteriorated by 220bp. The decline in operating margin reflects the impact of cost inflation in wages, energy and investment costs, and the impact of SaaS IT investment.

Selling costs increased by £5.6m year on year, driven primarily by higher wage costs. Administrative expenses were up £13.9m, with the increase driven by the cost of SaaS IT investment, a normalised bonus accrual compared with minimal accrual in the prior year, and modest inflation in Support Centre costs.

IT investment - Software as a Service

As outlined in our announcement of 25 July 2023, following the successful completion of the systems separation from Travis Perkins, we now expect the majority of our future IT investments to be in Software as a Service (SaaS) applications. Our previous profit expectations had been on the basis of the majority of this cost being capitalisable and amortised over a period of 3 years, but given the nature of the spend on SaaS applications we now expect this cost to be expensed. As set out in July we expect the impact on FY2023 PBT to be an £8-10m cost increase from the previous guidance, being £9-11m of IT investment cost expensed immediately, offset by a decrease in amortisation of £1m from that previously expected. The first half of the year included a charge of £3.7m, recognised within administrative costs.

For FY2024, as already outlined the P&L impact of IT investment will be £6-11m, with an increase in IT opex of £11-17m and lower associated IT amortisation costs of £5-6m. By FY2026, the net impact of additional IT opex and lower amortisation will be minimal.

Net finance costs

Adjusted net finance costs were £10.9m, down from £15.0m last year. The two main drivers of the decline were a reduction in interest on lease liabilities from £14.9m to £13.8m, as a result of the relatively low number of lease renewals, and an increase in interest receivable from £0.4m to £3.4m as a result of higher average cash balances and the increase in short term interest rates over the last 12 months.

The prior year finance charge has been re-presented with unrealised FX gains and losses now presented as adjusting items.

Adjusted profit before tax

After finance costs adjusted profit before tax for the first half was £31.1m, a decline of 24.7%. Excluding the cost of SaaS IT investment, the decline was 15.7% to £34.8m.

Adjusting items

Pre-tax adjusting item charges for the first half were £10.0m, up from £7.8m in the prior year. Costs associated with IT separation declined from £12.1m to £7.4m.inventory

The first half this year also included a £2.6m unrealised loss on remeasurement of derivatives at fair value. In the prior year, there was an unrealised profit of £4.3m.

The tax credit on adjusting items in the 26 weeks ended 1 July 2023 was £2.3m, compared with a credit of £1.5m in the prior year.

Profit before tax

Profit before tax in the first half was £21.1m, compared with £33.5m in the prior year. The decline reflects the reduction in adjusted pre-tax profit, and higher adjusting items.

Tax

Tax for the period is charged on profit before tax, based on the forecast effective tax rate for the full financial year. The underlying effective tax rate (before adjusting items) for the 26 weeks ended 1 July 2023 is 23.8% (26 weeks ended 2 July 2022: 19.6%, 52 weeks ended 31 December 2022: 20.2%), reflecting the increase in corporation tax rates in April 2023.

Capital investment

Capital investment in the first half totalled £14.3m, down from £21.6m in the prior year which included £6.1m for the purchase of the Braintree freehold. The main components in this first half were £7.7m investment in the store estate, of which refits were £6.3m and £1.4m for new store activity. There was also £2.8m of investment in our digital IT capability. A further £3.7m of SaaS IT investment was expensed under IAS38.

In the second half, we plan to accelerate investment into our IT capabilities and refit activity. Capital investment will be £30-35m, with a further £9-11m expensed under IAS38. The combined total will be in line with our previously issued guidance of £40-45m capital investment.

Cash / net debt

Cash at the half year end was £190.0m, reflecting strong operating cash flow and the favourable impact of the normal working capital cycles in the business. Investment in IT projects and our other growth levers is weighted to the second half, and, together with the normal seasonal working capital unwind and the cash outflow associated with the share buyback, there will be a cash outflow in the second half.

The inventory position of £201.9m compared with £205.5m in the prior year, with the decline reflecting Core sales growth in the second quarter and the unwind of slightly elevated stock levels from 2022.

IFRS 16 net debt[8] reduced to £480.9m, driven by the increase in net cash levels and the fall in lease liabilities to £670.9m due to the low level of lease renewals during the period.

Dividend

In line with our announcement of 25 July 2023 that we plan to maintain the FY 2023 full year dividend at 10.9p per share, the Board has declared an interim dividend of 3.6p. This will be paid on 3 November 2023 to shareholders on the register at the close of business on 29 September 2023.

The shares will be quoted ex-dividend on 28 September 2023. Shareholders in the UK may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 13 October 2023.

8 Equivalent to statutory net debt as calculated in note 11 to the interim financial statements

Outlook and technical guidance

The following represents full year guidance for FY2023:
- Trading in July and August is in line with our expectations;
- We are comfortable with FY consensus expectations (adjusted PBT £45-48m after the impact of SaaS IT investment costs);
- Continue to expect productivity gains to offset inflation (excluding energy) in the second half, although there will be a full six months of higher energy costs versus three months in the first half;
- Full year net finance charge of c£20m;
- Full year adjusted tax rate of 24-25%;
- Plan to maintain the full year dividend at 10.9p per share;
- Capex £30-35m plus IAS38 SaaS project expense of £9-11m;
- Year end cash is expected to be slightly higher than the £99.5m reported in FY2022, before share buybacks.

Appendix

LFL sales[2]	**Total**	***Core***	***DIFM***
Quarter 1 (13 weeks to 1 April)	**(1.8)%**	*(4.4)%*	*6.2%*
Quarter 2 (13 weeks to 1 July)	**3.0%**	*2.3%*	*5.3%*
First half (26 weeks to 1 July)	**0.7%**	*(0.8)%*	*5.8%*

Risks and Uncertainties

A formal risk management process has been adopted to help the Group reinforce our short, medium and long term success, safeguard value and enable us to meet and exceed the expectations of our stakeholders.

The Board has continued to refresh the principal risks and uncertainties since the publication of the annual report for the 53 week period ended 1 January 2023. The principal risks and uncertainties comprise:

- Cyber security and data
- People, culture and safety
- Finance and treasury
- Reputation and brand integrity
- Climate change
- Operations
- Customer service and experience

A detailed explanation of the risks and uncertainties which were identified for the 53 week period ended 1 January 2023 can be found on pages 67 to 70 of the 2022 Annual Report. The Board continues to review changes to risks and uncertainties that may arise, remaining mindful of the external environment, and the potential impact of inflation on our customers' buying behaviours. We note that since the date of the Annual Report, the systems separation from Travis Perkins plc has successfully completed, and the Autonomy risk has therefore been removed.

Condensed consolidated income statement

£m	26 weeks ended 1 July 2023			26 weeks ended 2 July 2022 (re-presented*)			52 weeks ended 31 December 2022		
	Adjusted	Adjusting items (note 2)	**Total**	Adjusted	Adjusting items (note 2)	Total	Adjusted	Adjusting items (note 2)	Total
Revenue (note 3)	827.7	-	**827.7**	822.3	-	822.3	1,559.0	3.4	1,562.4
Cost of sales	(530.4)	-	**(530.4)**	(529.7)	-	(529.7)	(991.9)	-	(991.9)
Gross profit	297.3	-	**297.3**	292.6	-	292.6	567.1	3.4	570.5
Selling costs	(172.7)	-	**(172.7)**	(167.1)	-	(167.1)	(332.1)	(15.8)	(347.9)
Administrative expenses	(82.6)	(7.4)	**(90.0)**	(69.2)	(12.1)	(81.3)	(131.1)	(24.4)	(155.5)
Operating profit (note 13)	42.0	(7.4)	**34.6**	56.3	(12.1)	44.2	103.9	(36.8)	67.1
Net finance costs (note 4)	(10.9)	(2.6)	**(13.5)**	(15.0)	4.3	(10.7)	(28.5)	1.7	(26.8)
Profit / (loss) before tax	31.1	(10.0)	**21.1**	41.3	(7.8)	33.5	75.4	(35.1)	40.3
Tax (note 5)	(7.4)	2.3	**(5.1)**	(8.1)	1.5	(6.6)	(15.2)	6.8	(8.4)
Profit / (loss) for the period and total comprehensive income	23.7	(7.7)	**16.0**	33.2	(6.3)	26.9	60.2	(28.3)	31.9

	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022 (re-presented*)	52 weeks ended 31 December 2022
Earnings per ordinary share (note 8)			
Basic	**6.3p**	10.7p	12.6p
Diluted	**6.3p**	10.6p	12.5p
Adjusted basic	**9.4p**	13.2p	23.8p
Adjusted diluted	**9.3p**	13.1p	23.7p
Total dividend declared per share (note 9)*	**3.6p**	3.6p	10.9p

* For details of re-presentation please see note 2

Condensed consolidated balance sheet

£m	**As at 1 July 2023**	As at 2 July 2022	As at 31 December 2022
ASSETS			
Non-current assets			
Goodwill	**8.4**	8.4	8.4
Other intangible assets	**14.7**	15.2	16.6
Property, plant and equipment	**115.3**	111.0	114.9
Right-of-use assets	**528.9**	589.4	542.4
Deferred tax assets	**19.9**	30.1	22.7
Total non-current assets	**687.2**	754.1	705.0
Current assets			
Inventories	**201.9**	205.5	201.6
Trade and other receivables (note 6)	**77.4**	79.7	87.4
Tax assets	**5.0**	1.9	8.4
Derivative financial instruments	**0.1**	5.8	2.6
Cash and cash equivalents	**190.0**	166.5	99.5
Total current assets	**474.4**	459.4	399.5
Total assets	**1,161.6**	1,213.5	1,104.5
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital (note 7)	**26.0**	26.0	26.0
EBT share reserve	**(0.8)**	(0.7)	(0.7)
Other reserves	**(785.7)**	(785.7)	(785.7)
Retained earnings	**924.9**	929.3	924.8
Total equity	**164.4**	168.9	164.4
Non-current liabilities			
Lease liabilities	**592.6**	642.5	610.4
Long-term provisions	**1.6**	1.0	1.8
Total non-current liabilities	**594.2**	643.5	612.2
Current liabilities			
Lease liabilities	**78.3**	82.5	80.9
Derivative financial instruments	**0.4**	0.9	0.2
Trade and other payables	**313.2**	306.2	237.7
Short-term provisions	**11.1**	11.5	9.1
Total current liabilities	**403.0**	401.1	327.9
Total liabilities	**997.2**	1,044.6	940.1
Total equity and liabilities	**1,161.6**	1,213.5	1,104.5

The interim condensed consolidated financial statements of Wickes Group plc, registered number 12189061 were approved by the Board of Directors on 11 September 2023 and signed on its behalf by:

David Wood
Chief Executive Officer

Mark George
Chief Financial Officer

Condensed consolidated statement of changes in equity

£m	Issued share capital	EBT share reserves	Other reserves	Retained earnings	Total equity
At 31 December 2022	26.0	(0.7)	(785.7)	924.8	164.4
Total comprehensive income for the period	-	-	-	16.0	16.0
Own shares purchased for share schemes	-	(0.2)	-	-	(0.2)
Dividends paid	-	-	-	(18.4)	(18.4)
Equity-settled share-based payments	-	0.1	-	2.5	2.6
At 1 July 2023	**26.0**	**(0.8)**	**(785.7)**	**924.9**	**164.4**

£m	Issued share capital	EBT share reserves	Other reserves	Retained earnings	Total equity
At 1 January 2022	26.0	(0.8)	(785.7)	921.3	160.8
Total comprehensive income for the period	-	-	-	26.9	26.9
Dividends paid	-	-	-	(22.1)	(22.1)
Equity-settled share-based payments	-	0.1	-	3.2	3.3
At 2 July 2022	26.0	(0.7)	(785.7)	929.3	168.9

£m	Issued share capital	EBT share reserves	Other reserves	Retained earnings	Total equity
At 1 January 2022	26.0	(0.8)	(785.7)	921.3	160.8
Total comprehensive income for the period	-	-	-	31.9	31.9
Dividends paid	-	-	-	(31.2)	(31.2)
Equity-settled share-based payments	-	0.1	-	4.3	4.4
Tax on equity-settled share-based payments	-	-	-	(1.5)	(1.5)
At 31 December 2022	26.0	(0.7)	(785.7)	924.8	164.4

Condensed consolidated cash flow statement

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022 (re-presented)*	52 weeks ended 31 December 2022 (re-presented)*
Cash flows from operating activities			
Operating profit	**34.6**	44.2	67.1
Adjustments for:			
Depreciation of property, plant and equipment	**10.3**	10.4	20.1
Depreciation of right-of-use assets	**36.8**	38.1	77.7
Amortisation of intangible assets	**3.2**	2.4	5.2
Write off of intangible assets	**1.5**	-	-
Impairment of tangible assets	**-**	-	15.8
Gains on termination of leases	**-**	(0.7)	(1.8)
Foreign exchange	**-**	(0.9)	-
Share-based payments	**2.6**	3.2	4.4
Losses on disposal of property, plant and equipment	**0.8**	0.3	0.6
Operating cash flows	**89.8**	97.0	189.1
Increase in inventories	**(0.3)**	(17.3)	(13.4)
Decrease/(increase) in receivables	**10.0**	(2.3)	(9.9)
Increase/(decrease) in payables	**75.5**	65.2	(4.1)
Increase/(decrease) in provisions	**1.8**	0.3	(1.3)
Cash generated from operations	**176.8**	142.9	160.4
Income taxes paid	**1.1**	(2.0)	(4.3)
Net cash inflow from operating activities	**177.9**	140.9	156.1
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	**-**	0.4	0.4
Development costs of software intangible assets	**(2.8)**	(5.1)	(9.3)
Purchases of property, plant and equipment	**(11.5)**	(16.5)	(31.1)
Interest received	**3.4**	0.4	1.9
Net cash outflow from investing activities	**(10.9)**	(20.8)	(38.1)
Cash flows from financing activities			
Finance costs paid	**(0.5)**	(0.5)	(1.0)
Interest on lease liabilities	**(13.8)**	(14.9)	(29.4)
Payment of principal of lease liabilities	**(44.0)**	(40.8)	(82.4)
Lease incentives received	**0.4**	1.2	2.1
Dividends paid to equity holders of the Parent	**(18.4)**	(22.1)	(31.2)
Own shares purchased for share schemes	**(0.2)**	-	-
Net cash outflow from financing activities	**(76.5)**	(77.1)	(141.9)
Net increase/(decrease) in cash and cash equivalents	**90.5**	43.0	(23.9)
Cash and cash equivalents at the beginning of the period	**99.5**	123.4	123.4
Effect of foreign exchange rate changes	**-**	0.1	-
Cash and cash equivalents at the end of the period	**190.0**	166.5	99.5

*The comparative cash flows have been re-presented to include interest paid as a financing rather than an operating cash flow. The change in presentation represents a voluntary change in accounting policy in line with IAS 8 and represents a more relevant grouping of cash flows in line with the nature of the business. This re-presentation increases the net cash inflow from operating activities and the net cash outflow from financing activities for the 26 weeks ended 2 July 2022 by £15.4 million (52 weeks ended 31 December 2022: £30.4 million). No change has been made to the total cash flow for either period.

1. General information and accounting policies

The condensed consolidated interim financial statements (‘interim financial statements’) have been prepared on the historical cost basis, except that certain financial instruments including derivative instruments are stated at their fair value. The interim financial statements include the accounts of the Company and all its subsidiaries (“the Group”).

Basis of preparation

The financial information for the 26 week periods ended 1 July 2023 and 2 July 2022 is unaudited. The 1 July 2023 information has been reviewed by KPMG LLP, the Group's auditor, and a copy of their review report appears on pages 28 and 29 of this interim report. The 2 July 2022 information was also reviewed by KPMG LLP.

The comparative figures for the 52 weeks ended 31 December 2022 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the 52 week period eneded 31 December 2022, as prepared in accordance with UK-adopted international accounting standards, has been delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company’s published consolidated financial statements for 52 weeks period ended 31 December 2022.

Going concern

Based on the Group’s liquidity position and cash flow projections, including a forward looking severe but plausible scenario, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the duration of the going concern period, being the 12 month period following the date of approval of these financial statements, and accordingly they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements for the period ended 1 July 2023.

Although the Group saw some decline in net profit as a result of cost inflation and investment in the business, revenue has continued to increase despite a challenging market backdrop and the Group continues to be cash generative.

At 1 July 2023, cash and cash equivalents stood at £190.0m. In addition the Group had available an undrawn committed Revolving Credit Facility (RCF) of £80m which expires in March 2025, and which is not forecast to be utilised for a period of at least 12 months.

Net debt stood at £480.9m relating to lease liabilities of £670.9m included on the balance sheet under IFRS 16, with £78.3m due within one year: the Group has no other debt obligations.

Considering whether the Group’s financial statements can be prepared on a going concern basis, the Directors have undertaken a detailed review which entails assessing the Group’s current and projected financial performance and position, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. In forming their outlook on the future financial performance, the Directors considered the risk of higher business volatility arising from the potential negative impact of the general economic environment driven by the cost of living crisis.

1. General information and accounting policies *(continued)*

The Directors' review also included a severe but plausible scenario to assess the impact of a sales reduction of 6% from 2023's expected outturn and a margin reduction of 1%, together with increases to energy costs and staff costs reflecting the current economic uncertainty. Under this severe but plausible scenario the group retains a significant cash balance and does not assume utilisation of the RCF: the severe but plausible scenario does show a covenant breach but, as it does not require use of the facility at any point, this does not indicate a risk to going concern. Nevertheless, if required there are further measures that could be taken to assist with covenant compliance if this was considered necessary, including reducing bonuses and discretionary spend in the short term.

The Directors remain watchful of ongoing pressures on customers and suppliers given the current economic environment, and are aware that the Group is exposed to a number of risks and uncertainties, which could affect the Group's ability to meet its forecasts. The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully.

New and amended standards adopted by the Group

There are no new or amended standards applicable for the current reporting period.

2. Adjusting items

Adjusting items are those items of income and expenditure that, by reference to the Group, are material in size or unusual in nature or incidence and that in the judgement of the Directors should be disclosed separately on the face of the financial statements to ensure both that the reader has a proper understanding of the Group's financial performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as adjusting items include, but are not limited to, significant restructurings, significant write downs or impairments of current and non-current assets, the associated costs of separating the business from the Travis Perkins Group's IT systems, net gains or losses on remeasurement of derivatives at fair value, and in the prior period a VAT reclaim relating to overpaid output VAT in prior periods.

To enable a reader of the interim financial statements to obtain a fuller understanding of the underlying trading and to allow comparability between periods and give a better indication of potential future periods, the Directors have presented the items below separately in the income statement.

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022 (re-presented*)	52 weeks ended 31 December 2022
Adjusting items – operating			
IT separation project costs	**7.4**	12.1	24.4
Property, plant and equipment impairment charge	**-**	-	0.4
Right-of-use asset impairment charge	**-**	-	15.4
Net unrealised losses / (gains) on remeasurement of derivatives at fair value	**2.6**	(4.3)	(1.7)
Output VAT reclaim	**-**	-	(3.4)
Total pre-tax Adjusting items	**10.0**	7.8	35.1
Adjusting items – tax			
Tax on adjusting items	**(2.3)**	(1.5)	(6.8)
Total tax on Adjusting items	**(2.3)**	(1.5)	(6.8)
Total post-tax Adjusting items	**7.7**	6.3	28.3

2. Adjusting items *(continued)*

IT separation project costs

IT separation project costs are the costs incurred to enable the Wickes Group to operate an IT environment independent of Travis Perkins Plc. These include the following; the cost of creating standalone versions of existing systems, the cost of transferring data from Travis Perkins Plc to standalone systems, the cost of upgrading legacy systems including moving to “software as a service solutions” and the costs of transitioning the IT and support function into the Wickes environment including the project management costs of all the above. Costs related to the maintenance and licencing of existing systems are included in Adjusted profit as these costs will continue after the separation project is concluded. Where costs meet the definition of an intangible asset they have been capitalised, and future amortisation will be included in Adjusted profit.

Right-of-use asset and property, plant and equipment impairment charges and reversals

In the 26 week period ended 1 July 2023, no impairment charge (26 week period ended 2 July 2022: none) has been recognised within adjusting items.

In a portfolio of stores there will be, from time to time, impairments rising on certain specific stores that do not arise from a broader macro economic condition but arise from underlying trading performance. Such impairments are therefore included within adjusted profit.

In the 26 week period ended 1 July 2023, no impairment charge (26 week period ended 2 July 2022: none, 52 week period ended 31 December 2022: none) due to such impairments has been recognised within adjusted profit.

In the period ended 31 December 2022, due to economic circumstances 20 stores were identified as impaired with a resulting impairment charge of £15.4m to right of use assets and £0.4m to property, plant and equipment. Given the size of the total store impairment charge, and that a key contributory to the existence of the charge is the broader UK macro-economic events impacting many retail businesses, and not solely the underlying performance of the Group’s individual stores, this impairment charge is included within adjusting items. Future revisions to these impairments will also be recognised within adjusting items.

Net unrealised losses / (gains) on remeasurement of derivatives at fair value

During the 52 week period ended 31 December 2022, the high level of foreign exchange rate volatility created significant fluctuations in the gains and losses relating to derivatives at fair value. Recognising that these movements would have distorted the trading result due to factors outside of management’s control, and that they may reverse in future periods, a decision was made to treat these unrealised gains and losses as adjusting on an ongoing basis.

In the 26 week period ended 1 July 2023, an unrealised loss of £2.6m (52 week period ended 31 December 2022: unrealised gain of £1.7m) was recognised in relation to the remeasurement of derivatives at fair value through the profit and loss account and included within adjusting items.

For the 26 week period ended 2 July 2022, an unrealised gain of £4.3m was recognised in relation to the remeasurement of derivatives at fair value through the profit and loss account, and recognised within adjusted profit. Reflecting the comments noted above and the material size of the gain, the consolidated income statement for the 26 week period ended 2 July 2022 has been re-presented to recognise the unrealised gain as an adjusting item. This adjustment has no impact on the prior period net assets.

Output VAT reclaim

During the 52 week period ended 31 December 2022, a claim for output VAT overpaid during the period from Q3 2018 to Q4 2021 was lodged with HMRC. The claim arose due to output VAT being paid in error on zero and reduced rate products. Given the claim related to the three years prior to the 52 week period ended 31 December 2022, the £3.4m credit was reflected in adjusting items. There were no such claims in the 26 week period ended 1 July 2023.

3. Revenue

The Group has one operating segment in accordance with IFRS 8 ‘Operating Segments’, which is the retail of home improvement products and services, both in stores and online.

The Chief Operating Decision Maker is the Board of Directors of Wickes Group plc. Internal management reports are reviewed by them on a regular basis. Performance of the segment is assessed based on a number of financial and non-financial KPIs as well as on profit before taxation.

The Group identifies two distinct revenue streams within its operating segment which are analysed below.

Both activities operate entirely in the United Kingdom. The Group’s revenue is driven by a large number of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

Revenue reconciliation and like-for-like sales

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
Revenue	**827.7**	822.3	1,559.0
Core (product sales)	***626.8***	*632.6*	*1,187.9*
Do-it-for-me (project sales)	***200.9***	*189.7*	*371.1*
Network change	**(2.7)**	(0.3)	(1.0)
Revenue (like-for-like basis)	**825.0**	822.0	1,558.0
Prior period revenue	**822.3**	812.0	1,534.9
Prior period network change	**(3.3)**	(2.2)	(5.1)
Prior period other movements (week 53)	**-**	-	(24.5)
Prior period other movements (week alignment)	**-**	5.4	-
Prior period revenue (like-for-like basis)	**819.0**	815.2	1,505.3
Increase arising on a like-for-like basis	**6.0**	6.8	52.7
Like-for-like Sales Growth (%)	**0.7%**	0.8%	3.5%
Core (product sales) Like-for-like Sales Growth	**(0.8)%**	(5.5)%	(2.0)%
Do-it-for-me (project sales) Like-for-like Sales Growth	**5.8%**	29.7%	26.1%

Calculating like-for-like sales enables management to monitor the performance trend of the business period-on-period. It also gives management a good indication of the health of the business compared to competitors.

Like-for-like sales are a measure of underlying sales performance for two successive periods. Branches and stores contribute to like-for-like sales once they have been trading for more than 12 months. Revenue included in like-for-like sales is for the equivalent times in both periods being compared. When branches close revenue is excluded from the prior period figures for the months equivalent to the post closure period in the current period. These movements are explained by the Network change amounts. The Network change number varies year on year as it represents a different number of stores.

The Prior period other movements (week 53) reflects that the period ended 1 January 2022 was a 53 week period, whereas the period ended 31 December 2022 was a 52 week period. The extra week is presented separately to enable direct comparison. The Prior period other movements (week alignment) represents the impact of the fact that the 26 weeks ended 2 July 2022 is not aligned to the 26 weeks ended 26 June 2021; the sum disclosed separately reflects the removal of the week 1 revenue and addition of the week 27 revenue to enable direct comparison.

4. Net finance costs

Finance income and expense recognised within adjusted profit (£m)	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022 (re-presented*)	52 weeks ended 31 December 2022
Finance income			
Interest receivable	**3.4**	0.4	1.9
	3.4	0.4	1.9
Finance costs			
Interest on lease liabilities	**(13.8)**	(14.9)	(29.4)
Amortisation of loan arrangement fees	**(0.1)**	(0.1)	(0.3)
Commitment fee on revolving credit facilities	**(0.4)**	(0.4)	(0.7)
	(14.3)	(15.4)	(30.4)
Net finance costs within adjusted profit	**(10.9)**	(15.0)	(28.5)

Adjusting items (£m)			
Finance (costs) / income			
Net unrealised (losses) / gains on remeasurement of derivatives at fair value	**(2.6)**	4.3	1.7
Net finance (costs) / income within adjusting items	**(2.6)**	4.3	1.7

Total net finance costs	**(13.5)**	(10.7)	(26.8)

The net unrealised (losses) / gains on remeasurement of derivatives relate to the movement in the fair value of foreign currency forward contracts. No hedge accounting is applied and all movements in the fair value of derivatives are recognised in the income statement as an adjusting item within finance income or costs.

* For details of re-presentation please see note 2.

5. Tax

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
Current tax			
- current year	**2.3**	6.6	6.2
- prior year	**-**	-	(3.7)
Total current tax charge	**2.3**	6.6	2.5
Deferred tax			
- current year	**3.0**	-	0.8
- prior year	**(0.2)**	-	5.1
Total deferred tax credit	**2.8**	-	5.9
Total tax charge	**5.1**	6.6	8.4

Tax for the interim period is charged on profit before tax, based on the best estimate of the corporate tax rate for the full financial year. The underlying effective tax rate (before adjusting items) for the 26 weeks ended 1 July 2023 is 23.8% (26 weeks ended 2 July 2022: 19.6%, 52 weeks ended 31 December 2022: 20.2%).

6. Trade and other receivables

£m	**As at 1 July 2023**	As at 2 July 2022	As at 31 December 2022
Trade receivables	**43.3**	44.5	38.7
Allowance for expected credit losses	**(2.0)**	(1.1)	(1.3)
	41.3	43.4	37.4
Other receivables	**22.2**	21.0	32.8
Prepayments and accrued income	**13.9**	15.3	17.2
Total current trade and other receivables	**77.4**	79.7	87.4

Trade receivables primarily represent amounts receivable following the delivery of goods purchased through finance agreements or the completion of a DIFM project installation, and electronic payment transactions with customers that were not received into the bank at the year end. Cash received from third parties providing finance to the Group's customers is recognised in the Cash Flow Statement as an operating cash flow.

A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile and the risk of non-recovery. The carrying amount of trade receivables, net of expected credit losses, is considered to be an approximation to its fair value.

Trade receivables on financed sales are ordinarily settled by financing providers; the Group does not retain consumer credit risk in respect of these sales. In a small number of cases, despite the Group having fulfilled its obligations under the installation contract, there may be a technical delay in receiving final settlement from the finance partner. The Group assesses whether these delays may result in amounts ultimately not being received and establishes a credit loss accordingly. Credit risk on credit card transactions is retained by the card issuer.

Other receivables primarily represent amounts due from suppliers to the Group for rebates of £19.6m (as at 2 July 2022: £15.9m, as at 31 December 2022: £23.4m).

7. Share capital

	Allotted No.	£m
Ordinary shares of 10p:		
At 1 July 2023 / 2 July 2022 / 31 December 2022	**259,637,998**	**26.0**

In June 2023, the Group instructed the trustee of the Group's employee benefit trust to acquire 170,000 ordinary shares of 10 pence each in Wickes Group Plc from the market. The shares were issued and acquired to satisfy the share awards under the Group's share scheme plans.

EBT share reserves

(number of shares)	**As at 1 July 2023**	As at 2 July 2022	As at 31 December 2022
At beginning of the period	**6,818,863**	7,489,514	7,489,514
Own shares purchased for share schemes	**170,000**	-	-
Shares released to participants	**(818,140)**	(325,218)	(670,651)
At end of the period	**6,170,723**	7,164,296	6,818,863

8. Earnings per share

a) Basic and diluted earnings per share

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
Profit attributable to the owners of the parent from continuing operations	**16.0**	26.9	31.9
No.			
Weighted average number of shares in issue (excluding treasury shares)	**253,180,462**	252,443,289	252,696,191
Dilutive effect of share options	**2,487,776**	808,503	1,698,226
Weighted average number of shares for diluted earnings per share (excluding treasury shares)	**255,668,238**	253,251,792	254,394,417
Earnings per share	**6.3p**	10.7p	12.6p
Diluted earnings per share	**6.3p**	10.6p	12.5p

b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effects of the adjusting items from earnings.

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022 (re-presented*)	52 weeks ended 31 December 2022
Profit attributable to the owners of the parent from continuing operations	**16.0**	26.9	31.9
Adjusting items	**10.0**	7.8	35.1
Tax on adjusting items	**(2.3)**	(1.5)	(6.8)
Earnings for adjusted earnings per share	**23.7**	33.2	60.2
Adjusted earnings per share	**9.4p**	13.2p	23.8p
Adjusted diluted earnings per share	**9.3p**	13.1p	23.7p

* For details of re-presentation please see note 2.

9. Dividends

Amounts were recognised in the financial statements as distributions to equity shareholders in the following periods:

£m	**As at 1 July 2023**	As at 2 July 2022	As at 31 December 2022
Interim dividend for the 52 weeks ended 31 December 2022 of 3.6 pence (1 January 2022: 2.1 pence)	**-**	-	9.1
Final dividend for the 52 weeks ended 31 December 2022 of 7.3p (1 January 2022: 8.8 pence)	**18.4**	22.1	22.1

An interim dividend of 3.6p is proposed in respect of the 52 weeks ending 30 December 2023. It will be paid on 3 November 2023 to shareholders on the register at the close of business on 29 September 2023 (the Record Date). The shares will be quoted ex-dividend on 28 September 2023.

Shareholders may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 13 October 2023.

10. Borrowings

At the period end, the Group had the following borrowing facilities available:

£m	**As at 1 July 2023**	As at 2 July 2022	As at 31 December 2022
Undrawn facilities:			
3-year committed revolving credit facility (expires March 2026)	**80.0**	80.0	80.0
	80.0	80.0	80.0

On 23 March 2021, the Group entered into a three-year £80.0m committed Revolving Credit Facility (RCF) with a syndicate of banks. The Revolving Credit Facility is intended to be used for general corporate purposes and was undrawn as at 1 July 2023. In March 2022, a one year extension was obtained on the revolving credit facility, extending the expiry date to March 2025. In March 2023, a further one year extension was obtained on the revolving credit facility, extending the expiry date to March 2026.

The Group does not have an overdraft facility as at 1 July 2023 (2 July 2022 and 31 December 2022: no facility).

11. Net debt

Movement in the period

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
Cash and cash equivalent at beginning of the period	**99.5**	123.4	123.4
Increase / (decrease) in cash and cash equivalents - other	**90.5**	43.1	(23.9)
Cash and cash equivalents at end of the period	**190.0**	166.5	99.5
Debt at beginning of the period	**(691.3)**	(742.1)	(742.1)
Repayment of lease liabilities	**57.8**	55.7	111.8
Discount unwind on lease liability	**(13.8)**	(14.9)	(29.4)
Lease modifications	**(12.0)**	(22.3)	(34.8)
Lease additions	**(11.2)**	(4.8)	(8.2)
Lease incentives received	**(0.4)**	(1.2)	(2.1)
Lease terminations	**-**	4.6	13.5
Debt at end of the period	**(670.9)**	(725.0)	(691.3)
Net debt at beginning of the period	**(591.8)**	(618.7)	(618.7)
Net debt at end of the period	**(480.9)**	(558.5)	(591.8)

Balances at period end

£m	**As at 1 July 2023**	As at 2 July 2022	As at 31 December 2022
Cash and cash equivalents	**190.0**	166.5	99.5
Non-current lease liabilities	**(592.6)**	(642.5)	(610.4)
Current lease liabilities	**(78.3)**	(82.5)	(80.9)
Net debt	**(480.9)**	(558.5)	(591.8)

12. Related party transactions

The Group has a related party relationship with its subsidiaries and with its Directors. There have been no related party transactions with Directors other than in respect of remuneration.

13. Non-statutory information

a) Adjusted operating profit

Adjusted operating profit is calculated by excluding the effects of adjusting items from operating profit.

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
Operating profit	**34.6**	44.2	67.1
Adjusting items (note 2)	**7.4**	12.1	36.8
Adjusted operating profit	**42.0**	56.3	103.9

b) Adjusted profit before tax

Adjusted profit before tax is calculated by excluding the effects of adjusting items from profit before tax.

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022 (re-presented*)	52 weeks ended 31 December 2022
Profit before tax	**21.1**	33.5	40.3
Adjusting items (note 2)	**10.0**	7.8	35.1
Adjusted profit before tax	**31.1**	41.3	75.4

* For details of re-presentation please see note 2.

c) Adjusted profit before tax and before SAAS IT investment costs

£m	**26 weeks ended 1 July 2023**	26 weeks ended 2 July 2022 (re-presented*)	52 weeks ended 31 December 2022
Adjusted profit before tax	**31.1**	41.3	75.4
SAAS IT investment costs	**3.7**	-	-
Adjusted profit before tax and before IT investment costs	**34.8**	41.3	75.4

SAAS IT investment costs are those costs incurred to improve the Group's IT systems that relate to software as a service solutions ("SAAS") that are immediately expensed under IAS38 and do not result in an intangible asset.

14. Events after the reporting period

During the period since the balance sheet date, the Company entered into an agreement with an independent third party to buyback £12.5m of its ordinary shares for cancellation. This activity, which commenced on 31 July 2023, is the first tranche of the proposed £25m buyback communicated to Shareholders on 28 July 2023. Amounts incurred in relation to the buyback will be deducted from equity in 2023.

During the period the Group received notification from Barclays of its intention to substantially withdraw its consumer finance offering from the market, and therefore its intention to cease offering this service to the Group in relation to finance products for DIFM customers. After the period end the Group entered into an engagement with Novuna to replace Barclays. It is expected that they will begin to offer consumer finance products to the Group beginning in December 2023.

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK;

- The Interim Management Report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the financial period and their impact on the condensed set of interim financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the reporting period; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial period and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

David Wood	Mark George
Chief Executive Officer	Chief Financial Officer
11 September 2023	11 September 2023

Independent Review Report to Wickes Group Plc

Conclusion

We have been engaged by Wickes Group Plc ("the Company") to review the condensed set of financial statements in the Interim Results 2023 for the 26 weeks ended 1 July 2023 which comprises Condensed consolidated income statement, the Condensed consolidated balance sheet, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Results 2023 for the 26 weeks ended 1 July 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The Interim Results 2023 is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results 2023 in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the Interim Results 2023 financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Results 2023 based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Andrew Cawthray

for and on behalf of KPMG LLP

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

11 September 2023